

Message Text

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ACTION SCI-06

INFO OCT-01 AF-10 EUR-25 EA-11 IO-14 ISO-00 ACDA-19

CIAE-00 INR-10 L-03 NSAE-00 NSC-10 RSC-01 SCEM-02

EB-11 COME-00 SS-20 DRC-01 /144 W

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P R 070600Z DEC 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 8614

INFO AMEMBASSY BANGKOK

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY MADRID

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

AMCONSUL JOHANNESBURG

USMISSION EC BRUSSELS

USMISSION IAEA VIENNA

AEC GERMANTOWN MARYLAND

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 15850

E.O. 11652: GDS

TAGS: TECH JA

SUBJ: URANIUM ENRICHMENT - US POLICY REASSESSMENT

REF: A) PARIS 30317; B) BONN 17154; C) TOKYO 15664

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BEGIN SUMMARY. JAPANESE HAVE LARGEST SINGLE NATIONAL NUCLEAR POWER PROGRAM OUTSIDE OF US AND CORRESPONDING REQUIREMENT FOR URANIUM ENRICHMENT SERVICES. HOWEVER, UNLIKE EUROPEANS, JAPANESE HAVE NO PROSPECTS FOR DOMESTIC ENRICHMENT CAPABILITY PRIOR TO MID-TO-LATE 1980S AND CONSEQUENTLY MUST IMPORT ENRICHING SERVICES. MOREOVER, AMONG HIGHLY INDUSTRIALIZED COUNTRIES, JAPAN IS BY FAR MOST DEPENDENT ON IMPORTED ENERGY RESOURCES LARGELY OUTSIDE ITS CONTROL. MAXIMUM DEVELOPMENT OF NUCLEAR POWER, THEREFORE, IS KEY ELEMENT IN DIVERSIFICATION OF ENERGY SOURCES WHICH RECENT MID-EAST EVENTS HAVE MADE HIGH PRIORITY NATIONAL GOAL. THUS FAR JAPANESE HAVE PREFERRED CONSIDER US AS THEIR FIRST CHOICE AND MAJOR SOURCE FOR LONG-TERM SUPPLY OF ENRICHING SERVICES. HOWEVER, PROSPECTIVE AVAILABILITY OF ALTERNATIVE SOURCES OF SUPPLY COUPLED WITH INCREASED RESTRICTIVENESS OF US LONG-TERM SUPPLY POLICIES AND DIFFICULTIES CONFRONTING JAPANESE IN OBTAINING ACCESS TO WHAT THEY CONSIDER MEANINGFUL TECHNOLOGICAL INFO FOR US-BASED JOINT VENTURE PLANT RAISES POSSIBILITY THAT US COULD LOSE SIGNIFICANT SHARE OF UNCOMMITTED JAPANESE MARKET. THUS, WHILE FACTORS DIFFER SOMEWHAT, REASSESSMENT OF US POLICY AS RECOMMENDED REF A AND REF B APPEARS TO BE EQUALLY NECESSARY IN CASE OF JAPAN. EMBASSY RECOMMENDS THAT, IN JAPANESE CASE, EMPHASIS SHOULD BE GIVEN TO CONSIDERATION OF WHAT CONCESSIONS, IF ANY, US MIGHT BE ABLE TO OFFER IN ORDER MAKE CONTRACTING MORE PALATABLE AND PARTICIPATION IN JOINT VENTURE ENRICHMENT PLANT MORE MEANINGFUL. SUCH REASSESSMENT MIGHT ALSO INCLUDE CONSIDERATION OF EXTENT TO WHICH PRESENT EIGHT-YEAR LEAD TIME IN CONTRACTING FOR ENRICHING SERVICES MIGHT FORCE NEWLY EMERGING NUCLEAR COUNTRIES TO OPT FOR NATURAL URANIUM SYSTEMS RATHER THAN US-TYPE ENRICHED URANIUM PLANTS. END SUMMARY.

1. JAPANESE CURRENTLY HAVE ABOUT 1800 MWE OF NUCLEAR CAPACITY IN OPERATION WITH ANOTHER 13,800 MWE UNDER CONSTRUCTION OR APPROVED FOR CONSTRUCTION START. CURRENT PROJECTIONS ARE TO HAVE ABOUT 30,000 MWE INSTALLED NUCLEAR CAPACITY BY 1980 AND 60,000 MWE BY 1985. WHILE 1980 ESTIMATE LOOKS OPTIMISTIC IN LIGHT OF PRESENT SITING DIFFICULTIES, GOVERNMENT IS CONSIDERING INCREASING 1985 TARGET TO 70,000 OR 80,000 MWE IN VIEW OF ENERGY CRISIS. THIS IS LARGEST SINGLE NATIONAL NUCLEAR POWER PROGRAM OUTSIDE OF US AND ESSENTIALLY ALL OF IT IS EX-CONFIDENTIAL

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PECTED TO BE US-TYPE LWRS. JAPANESE ESTIMATES OF RELATED ENRICHING SERVICES REQUIREMENTS ARE ABOUT FOUR MILLION KG SWU PER YEAR IN 1980, INCREASING TO ABOUT NINE MILLION KG SWU BY 1985.

2. JAPANESE UTILITIES HAVE PROCURED AND ARE CONTINUING PROCURE ALL ENRICHING SERVICES FROM US. JAPANESE GOVT IS SUPPORTING ENRICHMENT R&D PROGRAM, PRIMARILY ON CENTRIFUGE, WITH OBJECTIVE

OF DEVELOPING TECHNOLOGY TO LEVEL AND AT PACE THAT INTERNATIONALLY COMPETITIVE DOMESTIC ENRICHING PLANT COULD BE BROUGHT ON LINE ABOUT 1985. IT SHOULD BE EMPHASIZED THAT THIS IS ONLY TARGET FOR ORIENTING RESEARCH PROGRAM AND NO DECISION HAS BEEN MADE TO CONSTRUCT PLANT.

3. FOR THOSE REACTORS REQUIRING ENRICHING SERVICES PRIOR JULY 1, 1978, JAPANESE UTILITIES ARE PROCEEDING APACE TO NEGOTIATE AND EXECUTE CONTRACTS BEFORE AEC-ESTABLISHED DEADLINE OF DEC 31, 1973. CURRENTLY ANTICIPATE THAT ALL WILL BE SIGNED PRIOR TO DEADLINE.

4. FOR THOSE REACTORS REQUIRING ENRICHING SERVICES AFTER JULY

1, 1978, BUT PRIOR JULY 1, 1982, JAPANESE UTILITIES CURRENTLY PLANNING CONTRACT WITH USAEC FOR ALL SUCH PLANTS. THIS OBJECTIVE WILL BE COMPLICATED BY SEVERAL FACTORS INCLUDING A) SCHEDULE UNCERTAINTIES INTRODUCED BY SITING PROBLEMS; B) POSSIBLE ACCELERATION OF NUCLEAR POWER INSTALLATION SCHEDULE CURRENTLY UNDER CONSIDERATION BY GOVERNMENT; C) JAPANESE DISSATISFACTION WITH SOME FEATURES OF USAEC NEW CONTRACTING POLICY; D) OUTCOME OF APPARENT COMMITMENT BY JAPANESE PRIME MINISTER TO PURCHASE ENRICHING SERVICES FROM FRENCH BEGINNING SOMETIME IN PERIOD 1980-85; AND F) DESIRE ON PART OF SOME JAPANESE OFFICIALS TO

DIVERSIFY SUPPLY SOURCES. EMBASSY FEELS THAT US HAS EXCELLENT CHANCE TO OBTAIN CONTRACTS FOR ALL OR ALMOST ALL OF THESE PLANTS PRIMARILY BECAUSE OF CONSERVATIVE NATURE OF JAPANESE UTILITY EXECUTIVES WHO
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WERE UNREASONABLE AND UNNECESSARILY RESTRICTIVE. SHORTLY
AFTER NEW POLICY FIRST PROPOSED, ONE GOVT OFFICIAL, IN RARE
DISPLAY OF FEELING, PROTESTED TO AEC SCIREP THAT IT WAS
"BLATANT EXERCISE OF MONOPOLISTIC POWER" POSSIBLE ONLY BECAUSE
OF AEC'S COMPLETE MONOPOLY IN ENRICHMENT FIELD. SINCE THAT
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TIME, JAPANESE PROTESTS HAVE BEEN MORE RESTRAINED, PROBABLY
DUE MORE TO FEAR OF ANTAGONIZING AEC (THEIR SOLE SUPPLIER OF
ENRICHING SERVICES) THAN OF ANY GREATER SATISFACTION WITH

DETAILS OF POLICY. MAJOR CONCERNS OF JAPANESE UTILITIES
HAVE BEEN MAGNITUDE OF EIGHT-YEAR LEAD TIME AND ABSOLUTE
INFLEXIBILITY IN ANNUAL REQUIREMENTS (OPTION TO OBTAIN ADDITIONAL
PRODUCT BY DELIVERING ADDITIONAL FEED DOES NOT SEEM TO HAVE MADE
MUCH OF AN IMPRESSION). WHILE THERE HAVE BEEN SOME COMPLAINTS
ABOUT ADVANCE PAYMENT, THIS IS NOT BELIEVED TO BE MAJOR PROBLEM.

7. RE ALTERNATIVE SOURCES OF ENRICHING SERVICES. ALL POTENTIAL
SUPPLIERS HAVE BEEN IN TOUCH WITH JAPANESE, WITH FRENCH BEING
MOST PERSISTENT. AFTER CONCLUSION THEIR JOINT STUDY WITH
FRENCH, JAPANESE ON SEVERAL OCCASIONS EXPRESSED THEIR INABILITY
AND UNWILLINGNESS TO BE PARTICIPANT IN EURODIF BECAUSE OF
THEIR COMMITMENT TO US. FINALLY, IMMEDIATELY PRIOR TO PRIME
MINISTER TANAKA'S VISIT TO EUROPE, FRENCH DROPPED PARTICIPATION
IDEA AND PROPOSED INSTEAD THAT JAPAN COMMIT ITSELF TO PURCHASE
PART OF OUTPUT OF EURODIF. DURING MEETINGS IN PARIS TANAKA
MADE SUCH COMMITMENT ALTHOUGH DETAILS NOT YET AVAILABLE. THIS
APPARENTLY WAS STRICTLY POLITICAL DECISION TAKEN WITHOUT PRIOR
CONSULTATION WITH UTILITIES AND THEY ONLY NOW BEGINNING TO
STUDY HOW TO IMPLEMENT COMMITMENT (REF C). JAPAN ALSO PAR-

TICIPATING IN ACE STUDY AND HAS BEEN APPROACHED BY USSR,
SOUTH AFRICA AND AUSTRALIA. JAPANESE PRIVATE INDUSTRY ALSO
PARTICIPATING IN BRINCO STUDY.

8. EMBASSY ASSESSMENT IS THAT MOST JAPANESE UTILITY OFFICIALS
WOULD PREFER, IF POSSIBLE, DEAL WITH US FOR ENRICHING SERVICES.
HOWEVER, WITHIN JAPANESE GOVT THERE ARE STRONG PROPONENTS OF
DIVERSIFICATION OF SUPPLY SOURCES. THESE FORCES SEEM TO HAVE
WON THEIR FIRST MAJOR VICTORY WITH TANAKA COMMITMENT TO PURCHASE
PART OF EURODIF OUTPUT. WHETHER THEY WILL BE ABLE TO DIVERT
ADDITIONAL PORTIONS OF JAPANESE MARKET TO NON-US SOURCES MAY
WELL DEPEND ON US ATTITUDE RE FUTURE CONTRACT NEGOTIATIONS AND
JAPANESE PARTICIPATION IN US-BASED ENRICHMENT PLANT. IT SEEMS
CLEAR THAT THIS IS NOW COMPETITIVE SITUATION AND US NO LONGER
ABLE TO SIT BACK AND MERELY WAIT FOR CUSTOMERS TO BREAK DOWN
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OUR DOORS. INSTEAD, IF US WANTS JAPANESE MARKET, IT MUST
TAKE MORE SALESMAN-LIKE APPROACH.

9. IN KOREA, NEW USAEC TERMS AND CONDITIONS ON ENRICHMENT SER-
VICES SUPPLY HAVE CAUSED CONSTERNATION AND ARE RESULTING IN
SERIOUS CONSIDERATION OF PURCHASE OF NATURAL URANIUM REACTORS
FROM CANADA FOR UNITS THREE AND FOUR. AECL REPRESENTATIVES ARE
PLANNING VISIT KOREA IN EARLY DECEMER AND AEC SCIREP UNDER-
STANDS THAT AT LEAST ONE HIGH-LEVEL KOREAN OFFICIAL MAY
ALREADY HAVE DECIDED SUPPORT NATURAL URANIUM BID. IN RECENT
MEETING WITH KOREAN OFFICIALS, ONE US EQUIPMENT SUPPLIER FELT
COMPELLED EXPLAIN ALTERNATIVE SOURCES OF ENRICHING SERVICES
THAT WERE DEVELOPING IN ORDER KEEP OPEN BIDDING. WHILE NO
SPECIFIC INFO AVAILABLE, IT LIKELY THAT COUNTRIES SUCH AS
THAILAND AND PHILIPPINES WILL NOT BE ABLE MAKE POSITIVE DECISION
TO BUILD NUCLEAR PLANT ON TIME SCHEDULE REQUIRED BY CURRENT
USAEC POLICY AND THEREFORE WILL BE FORCED TURN TO OTHER ENRICHING
SERVICES SUPPLIERS OR BUY NATURAL URANIUM REACTORS, PROBABLY
THEREBY REDUCING PROSPECTS FOR EQUIPMENT PURCHASE FROM US
SUPPLIERS. SHOESMITH

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